

Message Text

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ACTION EB-07

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FOR BARBIAN EB/ORF/FSE

E.O. 11652: N/A
TAGS: ENRG, CA
SUBJ: REPORT ON IN SITU SHALE OIL PROCESSES

REF: POSZ-BARBIAN TELECON DECEMBER 20, 1976

REQUEST DEPARTMENT (FSE) CONTACT DOW JONES
AND ATTEMPT TO OBTAIN FOR EMBASSY COPY OF
SUBJECT REPORT DESCRIBED IN DECEMBER 1, 1976 CANADIAN
DOW JONES TICKER ITEM. TEXT OF ITEM FOLLOWS:

BEGIN TEXT: THE BRIEFING PAPER ON SHALE OIL PROVIDES
ECONOMIC ESTIMATES SHOWING PRODUCTION COSTS FOR
OCCIDENTAL PETROLEUM'S MODIFIED IN SITU PROCESS AT
\$8 TO \$11 PER BARREL AND THE MULTI-MINERL METHOD USED
BY SUPERIOR OIL WOULD BE \$9 TO \$12 PER BARREL. OTHER
MORE EXPENSIVE METHODS WOULD YIELD OIL AT \$16 TO \$25 PER
BARREL. ALL COST ESTIMATES ARE BASED ON A 50,000
BARREL PER DAY PLANT AND FOR COMPARISON PRODUCTION COSTS
ARE SHOWING WITH THE INDUSTRY HOLDING 100 PERCENT
EQUITY AND BASED ON 15 PERCENT DISCOUNTED CASH
FLOW IN 1976 DOLLARS.

THE PAPER OBTAINED BY DOW JONES SAYS THAT IN
ACTUAL PRACTICE FINANCING WOULD BE LEVERAGED AND THE
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PAGE 02 OTTAWA 04996 201932Z

REQUIRED SELLING PRICE LOWERED BELOW THE FIGURES BASED
ON THE 100 PERCENT INDUSTRY EQUITY FIGURES. IT WAS
NOT CLEAR IN THE REPORT HOW THE FINANCING WOULD BE
LEVERAGED.

OIL SHALE RESOURCES ON PUBLIC LANDS CAN BE

DEVELOPED ONLY THROUGH LEASING UNDER THE AUTHORITY OF THE MINERAL LEASING ACT OF 1920. THE REPORT SAYS THAT INTERIOR DEPARTMENT IS IN THE FINAL STAGES OF THE PROTOTYPE LEASING PROGRAM WHICH MAKES UP TO SIX TRACTS AVAILABLE FOR OIL SHALE EXTRACTION. PRODUCTION FROM THESE TRACTS COULD REACH FROM 300,000 TO 400,000 BARRELS PER DAY BY THE MID-1980'S.

SO FAR FOUR TRACTS OF LAND OF ABOUT 5,000 ACRES EACH HAVE BEEN LEASED -- TWO IN COLORADO AND TWO IN UTAH. THE GOVERNMENT PLANS TO LET TWO ADDITIONAL LEASES FOR 'IN SITU' DEVELOPMENT IN AUGUST 1977, THE PAPER SAYS.

THE PAPER CONCLUDES BY SAYING THE 'SINGLE MOST IMPORTANT FACTOR AFFECTING THE DEVELOPMENT AND GROWTH OF A SHALE OIL INDUSTRY IS THE ROLE PLAYED BY THE FEDERAL GOVERNMENT.' THE GOVERNMENT HAS OR WILL LEASE SHALE OIL LANDS, PROVIDE THE ECONOMIC SETTING FOR THE INDUSTRY, PLACATE ENVIRONMENTAL PROBLEMS, SUPPORT NEW TECHNOLOGY DEVELOPMENT AND SELECT THE FIRMS THAT WILL DEVELOP PUBLIC LANDS.
ENDERS

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